

CITY OF WELLMAN, IOWA

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

CITY OF WELLMAN, IOWA
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CITY OF WELLMAN, IOWA
OFFICIALS
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2014)		
Ryan Miller	Mayor	January, 2014
Jared Schneider	Council Member	January, 2016
Steve Slaubaugh	Council Member	January, 2016
John Schwartz	Council Member	January, 2016
Doug Powell	Council Member	January, 2014
Fern Bontrager	Council Member	January, 2014
Nick Pacha	City Administrator	Indefinite
Jenny Duwa	City Clerk	Indefinite
Daniel Kitchen	City Attorney	Indefinite
(After January, 2014)		
Ryan Miller	Mayor	January, 2018
Jared Schneider	Council Member	January, 2018
Steve Slaubaugh	Council Member	January, 2016
John Schwartz	Council Member	January, 2016
Bob Goodrich	Council Member	January, 2016
Fern Bontrager	Council Member	January, 2018
Nick Pacha	City Administrator	Indefinite
Jenny Duwa (Resigned December, 2013)	City Clerk	
Kelly Litwiller (Started February, 2014)	City Clerk	Indefinite
Daniel Kitchen	City Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Wellman for the period July 1, 2013 through June 30, 2014. The City of Wellman's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor
and Members of City Council

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Wellman, Iowa, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Wellman, Iowa, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor
and Members of City Council

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Wellman, Iowa and other parties to whom the City of Wellman, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Gumerwald, Ben, Kyhan & Co. P.C.

Atlantic, Iowa
January 19, 2015

DETAILED RECOMMENDATIONS

CITY OF WELLMAN, IOWA

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Council Minutes - Chapter 21.5(3) requires final action by any governmental body on any matter shall be taken in an open session unless some other provision of the Code expressly permits such action to be taken in closed session. Minutes for one meeting tested did not identify the final action taken when the council returned to open session.

Recommendation - The City should comply with the Code of Iowa and document in the minutes the final action taken in open session after the council returns from a closed session.

- (C) Publication of Minutes - Chapter 372.13(6) of the Code of Iowa requires that minutes are published within 15 days of the meeting and should include total disbursements and summary of all receipts. The City included individual checks written, but not total disbursement by fund in the published minutes. The City did not include a summary of all receipts in the published minutes.

Recommendation - The City should comply with the Code of Iowa and publish in the minutes the total disbursements by fund and a summary of the receipts.

- (D) Bank Reconciliations - The cash balances in the City's general ledger were not reconciled throughout the year. However, by the end of the year, the cash balances were reconciled to the general ledger.

Recommendation - The City should continue to ensure that bank account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

CITY OF WELLMAN, IOWA

Detailed Recommendations - Continued

For the period July 1, 2013 through June 30, 2014

- (E) Annual Financial Report - The financial information of the City's Annual Financial Report for FY2014 does not agree with the receipts and disbursements from the City's records. There were also differences noted between the Annual Financial Report and the City's records for the ending fund balance.

Recommendation - The financial information of the Annual Financial Report should agree with the City's financial records.

- (F) Payment of General Obligation Bonds - Principal and interest on the City's general obligation water bonds were paid from the Enterprise, Water Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the Enterprise, Water Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (G) Credit Cards - We noted one payment made for credit card charges that were not properly supported. The City does not have a written credit card policy.

Recommendation - The City should establish a written credit card policy and ensure that all credit card charge transactions are properly supported.

- (H) Transfers - The City's records show that transfers between funds are not being recorded in proper accounts and that amounts recorded as transfers do not balance.

Recommendation - The City should make sure that transfers are properly recorded in the appropriate accounts.

- (I) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (J) Deficit Balance - The Community Development Fund had a deficit cash balance at year end.

Recommendation - The City should make appropriate transfers to eliminate the deficit cash balances.

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